

Members

Rep. Markt Lytle, Chairperson
Rep. Gary Cook
Rep. James Buck
Rep. William Friend
Sen. Thomas Weatherwax
Sen. James Merritt
Sen. Katie Wolf
Sen. Samuel Smith, Jr.
Mayor Norm Blankenship
Mayor David Butterfield
Richard P. Jones
Karen Large
Mayor Terry Mooney
James R. Murphy
Patricia French
Mayor William Goffinet



LOCAL GOVERNMENT FINANCE STUDY COMMISSION

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Authority: P.L. 242-1997

MEETING MINUTES¹

Meeting Date: October 24, 2000
Meeting Time: 10:30 A.M.
Meeting Place: State House, 200 W. Washington
St., Room 404
Meeting City: Indianapolis, Indiana
Meeting Number: 4

Members Present: Rep. Markt Lytle, Chairperson; Rep. James Buck; Rep. William Friend; Sen. Thomas Weatherwax; Sen. James Merritt; Mayor Norm Blankenship; Richard P. Jones; Karen Large; James R. Murphy.

Members Absent: Rep. Gary Cook; Sen. Katie Wolf; Sen. Samuel Smith, Jr.; Mayor David Butterfield; Mayor Terry Mooney; Patricia French; Mayor William Goffinet.

Rep. Lytle called the meeting to order at 10:50 a.m. The Commission addressed three items at the meeting: (1) local fiscal home rule; (2) township fire protection; and (3) the Commission's annual report.

1. Local Fiscal Home Rule

Rep. Lytle recognized Mr. Thomas Downs from the law firm of Ice Miller. Mr. Downs

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appeared representing the Indiana Association of Cities and Towns (IACT) and the Association of Indiana Counties (AIC). Mr. Downs reviewed Preliminary Draft 3567 authorizing limited local fiscal home rule.

Mr. Downs reported to the Commission that the draft authorized counties, cities, and towns to adopt local sales, food and beverage, and income taxes. The draft provides the new taxes adopted under fiscal home rule would be additional to existing taxes. Mr. Downs emphasized that while the draft contains provisions prohibiting the State Board of Tax Commissioners from reducing a unit's property tax levy, the unit itself is free to use the additional taxes for property tax replacement.

Mr. Downs compared the draft to legislation introduced in 1997. While the 1997 legislation granted local units the freedom to do anything that they desired, the 2000 proposal is shorter and more limited.

When asked if the draft contained any protections from local governments "running away" with the home rule powers, Mr. Downs replied that the draft provides for hearings and requires agreement between the county council and county commissioners. Mr. Downs also noted that other statutes such as the statutes governing the budget making process or borrowing may constrain local officials as well.

Following Mr. Down's testimony, a number of individuals rose to discuss the draft as well as the concept of local fiscal home rule. David Bottorff (AIC) spoke first thanking the Commission for hearing the proposal. Mr. Bottorff also indicated that he viewed the draft merely as a starting point.

Mark Cahoon, Indiana Manufacturer's Association (IMA), indicated that the IMA is open to the concept. He expressed the IMA's concern about the level of property taxes in Indiana while stating that the IMA is willing to work with others regarding its various concerns about the concept. Mr. Cahoon noted the following concerns: the implications of the constitutional necessity of uniform and equal assessments; the sheer number of taxing mechanisms made possible by the draft; and administrative issues surrounding the collection of the additional taxes. Mr. Cahoon characterized the IMA's concerns as administrative rather than philosophical.

Kevin Brinegar, Indiana Chamber of Commerce, said that the Chamber is open to a discussion of the concept provided that it contains elements of property tax relief. Mr. Brinegar stated the Chamber's preference for state administration of any new taxes. In the end, the Chamber wants to see workable, constitutional property tax relief mechanisms within any legislation authorizing local fiscal home rule.

Tonya Galbraith, IACT, responded to the concerns voiced over the potential number of new taxes. Ms. Galbraith said that most of the affected units are small towns and cities with fewer than 5,000 people. She noted that most of those cities and towns lack the business activity and income stream to make the new taxes attractive.

Ms. Galbraith also stated that she did not want to limit the discussion to property tax relief. In her mind, doing so would defeat the purpose of the local fiscal home rule proposal. However, she added that she was encouraged by the comments of the other speakers.

Katrina Hall, Indiana Farm Bureau, said that she would echo the comments of the IMA and the Chamber of Commerce. She said that the local fiscal home rule concept has a lot of potential while adding that the Farm Bureau would have a number of technical suggestions.

Steve Buschmann, Indiana Townships Association, reported that the townships support the concept philosophically. Mr. Buschmann reminded the Commission that the townships receive distributions from the existing county adjusted gross income tax (CAGIT) and county option income tax (COIT). Mr. Buschmann expressed his concern that under the proposal townships could be cut out of the revenue by counties that repeal CAGIT or COIT and impose a new tax under the fiscal home rule law.

Glenna Shelby appeared on behalf of the Indiana Licensed Beverage Association and the Indiana Petroleum Marketers and Convenience Store Association. Her clients are concerned about the multiplicity of new taxes to be collected or withheld. She also expressed the concern that some businesses may be placed at a competitive disadvantage by the imposition of additional taxes.

Bill Hahn, Indiana Association of County Commissioners, expressed the view it is not realistic to think that the proposal will result in six hundred plus entities with different taxes. He also said that in the end local fiscal home rule must provide an increase in local revenue. Mr. Hahn told the Commission that local governments are dying on the vine and cannot keep up under the current system.

Following Mr. Hahn's testimony, Rep. Lytle asked the Commission members for their thoughts.

Mr. Murphy said that the proposal was a fine starting point that offered a chance to do the right thing. He saw in the proposal the potential to provide relief from reassessment.

Mr. Jones said that he represented 60,000 taxpayers crying for tax relief and offered his support for the draft. He considered the draft a good start, adding that some relief is better than none at all.

Ms. Large voiced her support for the idea of local fiscal home rule, but added that she also had some concerns. She was specifically concerned about impacting COIT distributions.

Mayor Blankenship said that the opportunities are intriguing and suggested that money returned to the citizens' pockets may in turn benefit business.

Rep. Friend indicated that he was generally supportive but expressed concerns about checks and balances in the proposal and the lack of caps on the imposition of new taxes.

Rep. Buck expressed his doubt that the public will support new local taxes without a corresponding guaranteed decrease elsewhere. Rep. Buck also wondered if the concept would ultimately inflict "a thousand paper cuts" upon the taxpayers instead of a big cut that would be rejected immediately.

Rep. Lytle said that while it was difficult to embrace PD 3567, he was willing to endorse the concept of local fiscal home rule. He expressed his hope that the discussion could proceed without getting political. He noted that it was a good start for IACT and the AIC to be working together.

After a discussion of the wording of the Commission's recommendation, Rep. Lytle entertained a motion to endorse the concept of fiscal home rule without adopting a draft of the proposal. Sen. Weatherwax moved the question and Sen. Merritt seconded the motion. The motion passed by the consent of the Commission with no dissenting members.

2. Township Fire Protection

Rep. Lytle entertained a motion to adopt Preliminary Draft 3422 authorizing townships, fire protection territories, fire districts, and volunteer fire departments to impose false alarm fees under certain circumstances. Mr. Jones moved the question and Sen. Merritt seconded the motion. The motion passed by the consent of the Commission with no dissenting members.

Rep. Lytle entertained a motion to adopt Preliminary Draft 3424 authorizing an excessive levy for township fire protection for townships that have resorted to short term borrowing in the previous two calendar years. Mr. Jones moved the question and Mayor Blankenship seconded the motion. The motion passed by the consent of the Commission with no dissenting members.

3. Annual Report

Rep. Lytle entertained a motion to adopt the Commission's annual report. Sen. Weatherwax moved the question and Sen. Merritt seconded the motion. The motion passed by the consent of the Commission with no dissenting members.

Rep. Lytle thanked the Commission members for their service during the interim and adjourned the meeting at approximately 12:45 p.m.